

EXHIBIT B

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8 OFFICE OF THE STATE CONTROLLER

9
10 UNITED STATES DISTRICT COURT
11 EASTERN DISTRICT OF CALIFORNIA
12 Sacramento Division

13
14 DAVID A. GILB; CALIFORNIA
15 DEPARTMENT OF PERSONNEL
16 ADMINISTRATION,

17 Petitioners/Plaintiffs,

18 vs.

19 JOHN CHIANG, sued herein in his official
20 capacity only; OFFICE OF STATE
CONTROLLER,

21 Respondents/Defendants.
22

23 CALIFORNIA CORRECTIONAL PEACE
24 OFFICERS' ASSOCIATION; CALIFORNIA
STATEWIDE LAW ENFORCEMENT
25 ASSOCIATION; STATIONARY
ENGINEERS LOCAL 39 INTERNATIONAL
26 UNION OF OPERATING ENGINEERS,
AFL-CIO; CALIFORNIA ASSOCIATION OF
27 PROFESSIONAL SCIENTISTS;
PROFESSIONAL ENGINEERS IN
28 CALIFORNIA GOVERNMENT; YVONNE
WALKER and SERVICE EMPLOYEES
INTERNATIONAL UNION, LOCAL 1000;

Case No. 34-2008-80000026-CU-WM-GDS

DECLARATION OF SUSAN GRIFFITH

CALIFORNIA ATTORNEYS,
ADMINISTRATIVE LAW JUDGES, AND
HEARING OFFICERS IN STATE
EMPLOYMENT (CASE),
Intervenor Respondents/Defendants.)

I, Susan Griffith, declare as follows:

1. I am the Chief of the Bureau of Accounting ("Bureau") of the Office of the California State Controller ("Controller"). I have held this position since 2001.

2. I am familiar with the practices and policy of this office with regard to the state accounting and cash management.

3. In compliance with Government Code section 12461.1 and Provision 9 of Budget Act item 0840-001-0001, using records compiled by the bureau, the Controller issues a Statement of General Fund Cash Receipts and Disbursements report on General Fund cash receipts and disbursements by the 10th day of each month. The Controller is responsible to report on the State of California's General Fund cash position and compares actual receipts and disbursements to cash flow estimates in the Governor's May Revision prepared by the Department of Finance.

4. The last such statement, identified in paragraph 3 above, prepared by our office and dated August 8, 2008, reflected the State of California's General Fund cash position and compared actual receipts and disbursements for the 2008-09 fiscal year to cash flow estimates prepared by the Department of Finance for the Governor's 2008-09 May Revision. A true and correct copy of this document is attached as exhibit A.

5. As indicated in the August 8, 2008 report, identified in paragraph 3 and 4 above, the State had \$10.1 billion remaining in unused borrowable resources (internal borrowing on a short-term basis from specific funds to the General Fund) at the end of July 2008, more than twice what was estimated in the Governor's May Revision. In addition, the state's disbursements were \$306 million lower (-3.3%) than estimated in the Governor's May Revision.

6. In 19 of the last 20 years, the state has used external borrowing, borrowing from sources other than from state special funds, as a cash management tool to smooth out the revenue flow. Although state disbursements are relatively constant, revenues flow in to the state at

highly irregular rates. For example, over the last fiscal year, the state received \$16.2 billion in April 08, but only \$ 4.1 billion in July 07. This common cash management tool includes both Revenue Anticipation Notes (or RANs) and Revenue Anticipation Warrants (or RAWs).

7. The bureau is also responsible for, among other matters, accounting for state disbursements. Such disbursements include wages paid to state employees. Only fifty-one percent (51%) of state employees are paid from the General Fund. The other forty-nine percent (49%) of state employees are paid from various Special Funds, some of which have continuing appropriations.

8. It has been a long standing policy to maintain a minimum \$2.5 billion reserve of cash and unused borrowable resources in the General Fund. This reserve was established to ensure sufficient cash is available to accommodate the fluctuation of revenues from month to month.

9. The bureau has updated DOF's May Revision cash flow estimates with actual receipts and disbursements from July, and the revised estimated cash flow indicates the General Fund's unused borrowable resources may fall below the \$2.5 billion reserve on October 28, 2008. In addition, revised estimates indicate the General Fund may exhaust all available borrowable resources and incur a deficit cash balance of \$(824 million) on October 29, 2008.

I have personal knowledge of the facts set forth above and, if called as a witness, I could and would testify competently as to those facts.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

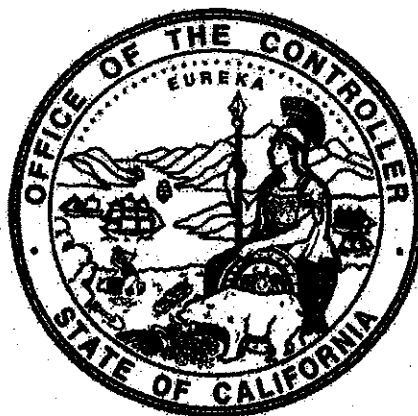
Executed this 11 day of September, 2008, in Sacramento, California.


SUSAN GRIFFITH
Chief, Bureau of the Accounting
Office of the State Controller

Exhibit A to:
Declaration of Susan Griffith

STATEMENT of GENERAL FUND CASH RECEIPTS and DISBURSEMENTS

July 2008



JOHN CHIANG
California State Controller



JOHN CHIANG
California State Controller

August 8, 2008

Users of the Statement of General Fund Cash Receipts and Disbursements:

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period July 1, 2008 through July 31, 2008. This statement reflects the State of California's General Fund cash position and compares actual receipts and disbursements for the 2008-09 fiscal year to cash flow estimates prepared by the Department of Finance for the 2008-09 May Revision. The statement is prepared in compliance with Provision 9 of Budget Act item 0840-001-0001, using records compiled by the State Controller.

Since April 2008, a portion of the Public Schools K-12 payment, Revenue Anticipation Notes (RAN) interest and partial principal payments, and certain other General Fund payments were made by the General Cash Revolving Fund (GCRF) pursuant to Government Code section 16381. Opening the GCRF provides the State with cash management flexibility in the event it becomes necessary to issue a Registered Reimbursement Warrant (commonly referred to as a "RAW"). The establishment of the GCRF does NOT signal that the need for a RAW is inevitable. Rather, it is a precautionary step intended to optimize options for the State to fully meet its payment obligations under even the most difficult of circumstances. The GCRF amounts have been combined with the General Fund for reporting purposes because they represent General Fund type activities (see Attachment A for details).

These statements are also available on the Internet at the State Controller's website at www.sco.ca.gov under the category Monthly Cash Reports.

Any questions concerning this report may be directed to Michael Carter, Chief Operating Officer, at (916) 552-8080.

Sincerely,

Original signed by:

JOHN CHIANG
California State Controller

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
A Comparison of Actual to 2008-09 May Revision Estimates
(Amounts in thousands)

	July 1 through July 31				
	2008				2007
	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual
			Amount	%	
GENERAL FUND BEGINNING CASH BALANCE	\$ -	\$ -	\$ -	-	\$ 2,462,023
Add Receipts:					
Revenues	4,576,713	4,631,000	(54,287)	(1.2)	4,122,063
Nonrevenues	184,769	69,100	115,669	167.4	13,807
Total Receipts	4,761,482	4,700,100	61,382	1.3	4,135,870
Less Disbursements:					
State Operations	2,339,659 (f)	2,364,056	(44,397)	(1.9)	2,391,510
Local Assistance	4,672,246 (f)	6,621,307	(1,849,061)	(28.4)	6,437,162
Capital Outlay	358,746 (f)	112,304	246,442	219.4	9,497
Nongovernmental	1,485,435 (f)	144,661	1,340,774	926.8	1,423,865
Total Disbursements	8,856,086	9,162,328	(306,242)	(3.3)	10,262,024
Receipts Over / (Under) Disbursements	(4,094,604)	(4,462,228)	367,624	-	(6,126,154)
Net Increase / (Decrease) in Temporary Loans	4,094,604	4,462,228	(367,624)	(8.2)	3,664,131
GENERAL FUND ENDING CASH BALANCE	-	-	-	-	-
Special Fund for Economic Uncertainties (b)	-	-	-	-	-
TOTAL CASH	\$ -	\$ -	\$ -	-	\$ -
Borrowable Resources					
Available Borrowable Resources	\$ 15,614,522 (g)	\$ 14,241,688	\$ 1,372,834	9.6	\$ 16,179,818
Outstanding Loans (c)	5,546,362 (f) (h)	9,261,669	(3,715,307)	(40.1)	3,664,131
Unused Borrowable Resources	\$ 10,068,160	\$ 4,980,019	\$ 5,088,141	102.2	\$ 12,515,687

General Note:

This report is based upon funded cash. Funded cash is cash reported to and recorded in the records of the State Controller's Office. Amounts reported as funded cash may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items.

Footnotes:

- (a) A Statement of Estimated Cash Flow for the 2008-09 fiscal year prepared by the Department of Finance for the 2008-09 May Revision. Any projections or estimates are set forth as such and not as representations of fact.
- (b) The Special Fund for Economic Uncertainties amount in the actual column does not include amounts in the Budget Stabilization Account.
- (c) Outstanding loan balance is comprised of \$5.5 billion of internal borrowing.
- (d) Negative balances are the result of repayments received that are greater than disbursements made.
- (e) Includes School Facility Aid Program that was previously displayed separately.
- (f) The General Cash Revolving Fund (GCRF) disbursements and loans have been combined with the General Fund for reporting purposes because they represent major General Fund type activities. See Attachment A for details.
- (g) Additional funds of \$492 million were identified as borrowable and are included in the actual Available Borrowable Resources.
- (h) Actual Outstanding Loans includes \$1.5 billion carry over of the cumulative loan balance from the prior year. The detail on page 4 reflects the borrowing for the month of July 2008 only.

Statement of General Fund Cash Receipts and Disbursements

John Chiang, California State Controller

SCHEDULE OF CASH RECEIPTS
(Amounts in thousands)

	Month of July		July 1 through July 31				
			2008		Actual Over or (Under) Estimate		2007
	2008	2007	Actual	Estimate (a)	Amount	%	Actual
REVENUES							
Alcoholic Beverage Excise Tax	\$ 37,782	\$ 37,281	\$ 37,782	\$ 33,000	\$ 4,782	14.5	\$ 37,281
Corporation Tax	208,654	292,424	208,654	254,000	(45,346)	(17.9)	292,424
Cigarette Tax	17,537	19,070	17,537	10,000	7,537	75.4	19,070
Estate, Inheritance, and Gift Tax	1,680	172	1,680	-	1,680	-	172
Insurance Companies Tax	24,850	22,185	24,850	12,000	12,850	107.1	22,185
Personal Income Tax	2,915,252	2,846,433	2,915,252	2,682,000	233,252	8.3	2,846,433
Retail Sales and Use Taxes	888,314	894,975	888,314	1,020,000	(131,686)	(12.9)	894,975
Pooled Money Investment Interest	29,802	-	29,802	24,000	5,802	24.2	-
Not Otherwise Classified	452,882	9,543	452,882	586,000	(133,138)	(22.7)	9,543
Total Revenues	4,576,713	4,122,063	4,576,713	4,631,000	(54,287)	(1.2)	4,122,063
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	147,900	-	147,900	-	147,900	-	-
Transfers from Other Funds	20,998	6,544	20,998	60,505	(39,507)	(65.3)	6,544
Miscellaneous	15,871	7,263	15,871	8,595	7,276	84.7	7,263
Total Nonrevenues	184,769	13,807	184,769	69,100	115,669	187.4	13,807
Total Receipts	\$ 4,761,482	\$ 4,135,870	\$ 4,761,482	\$ 4,700,100	\$ 61,382	1.3	\$ 4,135,870

See notes on page 1.

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	Month of July		July 1 through July 31				2007
	2008	2007	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual
					Amount	%	
STATE OPERATIONS (d)							
Legislative/Judicial/Executive	\$ 152,688	\$ 138,666	\$ 152,688	\$ 168,007	\$ (15,319)	(9.1)	\$ 138,666
State and Consumer Services	56,400	40,821	56,400	55,366	1,014	1.8	40,821
Business, Transportation and Housing	2,041	3,869	2,041	4,417	(2,376)	(53.8)	3,869
Resources	79,178	128,763	79,178	109,774	(30,596)	(27.9)	128,763
Environmental Protection Agency	2,792	5,626	2,792	3,590	(788)	(22.0)	5,626
Health and Human Services:							
Health Services	56,874	38,299	56,874	27,940	28,934	103.6	38,299
Mental Health	95,719	86,549	95,719	112,165	(16,446)	(14.7)	86,549
Other Health and Human Services	123,475	121,143	123,475	119,083	4,392	3.7	121,143
Education:							
University of California	302,809	353,250	302,809	334,084	(31,275)	(9.4)	353,250
State Universities and Colleges	288,760	288,044	288,760	357,884	(69,134)	(19.3)	288,044
Other Education	18,020	19,428	18,020	23,268	(7,248)	(31.1)	19,428
Dept. of Corrections and Rehabilitation	914,421	743,403	914,421	686,221	228,200	33.3	743,403
General Government	35,784	130,184	35,784 (f)	142,819	(107,035)	(74.9)	130,184
Public Employees Retirement System	286,037	279,347	286,037 (f)	242,237	43,800	18.1	279,347
Debt Service	(73,687)	15,920	(73,687)	(2,807)	(70,880)	-	15,920
Interest on Loans	358	-	358	-	358	-	-
Total State Operations	2,339,669	2,391,510	2,339,669	2,384,056	(44,397)	(1.9)	2,391,510
LOCAL ASSISTANCE (d)							
Public Schools - K-12	2,519,524	3,664,971	2,519,524 (f)	2,475,010	44,514	1.8	3,664,971
Community Colleges	221,103	204,515	221,103 (f)	521,386	(300,283)	(57.6)	204,515
Debt Service-School Building Bonds	-	-	-	-	-	-	-
Contributions to State Teachers' Retirement System	133,901	746,856	133,901 (f)	133,451	450	0.3	746,856
Other Education (e)	124,360	73,536	124,360	223,760	(99,400)	(44.4)	73,536
Dept. of Corrections and Rehabilitation	13,480	8,312	13,480	1,584	11,896	751.0	8,312
Dept. of Alcohol and Drug Program	24,069	10,528	24,069	111,148	(87,069)	(78.3)	10,528
Dept. of Health Services:							
Medical Assistance Program	465,023	391,162	465,023 (f)	1,414,775	(949,752)	(67.1)	391,162
Other Health Services	8,676	(4,100)	8,676	10,774	(2,098)	(19.6)	(4,100)
Dept. of Developmental Services	78,284	97,026	78,284	443,146	(364,862)	(82.3)	97,026
Dept. of Mental Health	78,094	(72,183)	78,094	(565,773)	643,867	-	(72,183)
Dept. of Social Services:							
SSI/SSP/IHSS	746,111	701,035	746,111 (f)	1,151,703	(405,592)	(35.2)	701,035
CalWORKs	5,278	204,435	5,278	15,681	(10,403)	(66.3)	204,435
Other Social Services	8,952	189,978	8,952	43	8,909	20,718.6	189,978
Tax Relief	1,347	1,040	1,347	134,087	(132,720)	(98.0)	1,040
Other Local Assistance	244,024	220,042	244,024 (f)	450,552	(206,528)	(45.8)	220,042
Total Local Assistance	4,672,246	6,437,152	4,672,246	6,521,307	(1,849,061)	(28.4)	6,437,152

See notes on page 1.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)
(Amounts in thousands)

	Month of July		July 1 through July 31				2007 Actual
	2008	2007	Actual	Estimate (a)	2008		
					Actual Over or (Under) Estimate		
					Amount	%	
CAPITAL OUTLAY	358,746	9,497	358,746 (f)	112,304	246,442	219.4	9,497
NONGOVERNMENTAL (d)							
Transfer to Special Fund for Economic Uncertainties	-	-	-	-	-	-	-
Transfer to Budget Stabilization Account	-	-	-	-	-	-	-
Transfer to Other Funds	455,254	423,701	455,254 (f)	441,661	13,593	3.1	423,701
Transfer to Revolving Fund	(4,952)	(37,018)	(4,952)	-	(4,952)	-	(37,018)
Advances:							
MediCal Provider Interim Payment	1,000,000	999,979	1,000,000	-	1,000,000	-	999,979
State-County Property Tax Administration Program	44,210	-	44,210	-	44,210	-	-
Social Welfare Federal Fund	(9,077)	37,203	(9,077)	-	(9,077)	-	37,203
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	-	-	-	(287,000)	287,000	-	-
Total Nongovernmental	1,485,435	1,423,865	1,485,435	144,661	1,340,774	926.8	1,423,865
Total Disbursements	\$ 5,858,086	\$ 10,262,024	\$ 5,858,086	\$ 8,162,328	\$ (306,242)	(3.3)	\$ 10,262,024
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	\$ 777,816	\$ 2,093,284	\$ 777,816 (f)	\$ -	\$ 777,816	-	\$ 2,093,284
Budget Stabilization Account	-	-	-	-	-	-	-
Other Internal Sources	3,316,788	1,570,847	3,316,788 (f)	4,462,226	(1,145,440)	(25.7)	1,570,847
Revenue Anticipation Notes	-	-	- (f)	-	-	-	-
Net Increase / (Decrease) Loans	\$ 4,094,604	\$ 3,664,131	\$ 4,094,604	\$ 4,462,226	\$ (367,624)	(8.2)	\$ 3,664,131

See notes on page 1.

(Concluded)

COMPARATIVE STATEMENT OF REVENUES RECEIVED
All Governmental Cost Funds
(Amounts in thousands)

July 1 through July 31				
	General Fund		Special Funds	
	2008	2007	2008	2007
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	\$ 37,782	\$ 37,261	\$ -	\$ -
Corporation Tax	208,654	282,424	-	-
Cigarette Tax	17,537	19,070	147,270	152,594
Estate, Inheritance, and Gift Tax	1,660	172	-	-
Insurance Companies Tax	24,850	22,185	-	-
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	227,016	248,308
Diesel & Liquid Petroleum Gas	-	-	43,696	51,924
Jet Fuel Tax	-	-	300	201
Vehicle License Fees	-	-	174,765	179,868
Motor Vehicle Registration and Other Fees	-	-	224,474	210,758
Personal Income Tax	2,915,252	2,846,433	52,846	51,767
Retail Sales and Use Taxes	888,314	894,975	616,244	442,596
Pooled Money Investment Interest	29,802	-	157	-
Total Major Taxes, Licenses, and Investment Income	4,123,851	4,112,520	1,486,768	1,337,816
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fee	420	442	6,931	7,604
Electrical Energy Tax	-	-	40,914	53,764
Private Rail Car Tax	-	-	-	-
Penalties on Traffic Violations	-	-	-	-
Health Care Receipts	8,127	626	-	-
Revenues from State Lands	49,806	21,118	-	-
Abandoned Property	290,617	(48,853)	-	-
Trial Court Revenues	6,871	6,547	63,720	54,224
Horse Racing Fees	97	110	1,956	2,679
Miscellaneous	96,924	29,553	676,090	555,091
Not Otherwise Classified	452,862	9,643	789,611	673,362
Total Revenues, All Governmental Cost Funds	\$ 4,576,713	\$ 4,122,063	\$ 2,276,379	\$ 2,011,178

See notes on page 1.

GENERAL CASH REVOLVING FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
(Amounts in thousands)
Attachment A

	July 1 through June 30, 2008	Month of July 2008	Prior Year and July 1 through July 31, 2008
GENERAL CASH REVOLVING FUND BEGINNING CASH BALANCE	\$ -	\$ -	\$ -
Add Receipts:			
Special Fund Loans	1,451,759	3,056,603	4,508,362
Pooled Money Investment Account Loans	-	1,038,000	1,038,000
Total Receipts	1,451,759	4,094,603	5,546,362
Less Disbursements:			
State Operations			
General Government	-	43,064	43,064
Public Employees Retirement System	-	430,716	430,716
Interest on Loans	185,888	-	185,888
Total State Operations	185,888	473,780	659,668
Local Assistance			
Public Schools K-12	1,116,500	2,141,012	3,257,512
Community Colleges	-	199,825	199,825
State Teachers' Retirement System	-	133,901	133,901
Dept of Health Services:			
Medical Assistance Program	-	133,927	133,927
Dept of Social Services:			
SSI/SSP/IHSS	-	213,233	213,233
Other Local Assistance	-	153,983	153,983
Total Local Assistance	1,116,500	2,975,981	4,092,481
Capital Outlay			
Business, Transportation & Housing	-	206,454	206,454
Nongovernmental			
Transfer to Other Funds	-	438,388	438,388
Temporary Loans			
RAN Partial Principal	149,371	-	149,371
Total Disbursements	1,451,759	4,094,603	5,546,362
GENERAL CASH REVOLVING FUND ENDING CASH BALANCE	\$ -	\$ -	\$ -